

AUDITED FINANCIAL STATEMENTS  
SILVER GROVE INDEPENDENT SCHOOLS  
SILVER GROVE, KENTUCKY  
JUNE 30, 2015

SILVER GROVE INDEPENDENT SCHOOLS

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# Michael Kadetz

Certified Public Accountant, LLC  
8044 Montgomery Road • Suite 720  
Cincinnati, Ohio 45236-2926  
TEL (513) 794-1900 • FAX (513) 794-8073

## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Silver Grove Independent Schools  
Silver Grove, Kentucky

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of The Silver Grove Independent Schools as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise The Silver Grove Independent Schools' basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; *Audits of States, Local Governments, and Non-Profit Organizations*; the state compliance requirements prescribed by the Kentucky State Committee for School District Audits, *Appendix I of the Independent Auditor's Contract - Audit Extension Request and Appendix II of the Independent Auditor's Contract - Instructions for Submission of the Audit Report*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Due to the nature of the revenues of the Activity Funds, it was not practical to satisfy myself with respect to such revenues beyond the amounts recorded as received.

### **Opinions**

In my opinion, except for the effect if any, of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-

type activities, and the aggregate remaining fund information of The Silver Grove Independent Schools as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Emphasis of Matter - Implementation of New GASB Accounting Standard**

As described in Note W to the financial statements, effective July 1, 2014, the District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

#### **Other Matters**

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8, the budgetary comparison information on pages 47 through 48 and the pension liability and contributions information on pages 57 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

##### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Silver Grove Independent Schools' basic financial statements. The combining and individual fund financial statements, schedule of expenditures of federal awards and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2015, on my consideration of The Silver Grove Independent Schools' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Silver Grove Independent Schools' internal control over financial reporting and compliance.



SILVER GROVE INDEPENDENT SCHOOLS - SILVER GROVE, KY  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2015**

As management of The Silver Grove Independent Schools (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

The beginning general fund cash balance for the District was \$163,080, a decrease from fiscal year 2014.

The district remains committed to increasing starting teacher salaries to follow the trends in the state and to stay competitive with local districts.

The General Fund had \$2,190,802 in revenue, which primarily consisted of the state program (SEEK), local property, and motor vehicle tax revenue. Excluding inter-fund transfers, there were \$2,208,951 in General Fund expenditures.

Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. In June, 2011, the District issued a bond issue for \$580,000. It has a current debt value of \$495,000 and will complete in June, 2031. In March, 2012 the District issued another bond issue for \$975,000. This refinanced the 2004 issue, paying it off in May, 2014. This bond has a current debt value of \$840,000. It will complete in May, 2024. In October, 2012 the District issued another bond issue for \$550,000. It will complete in October, 2032. It has a current debt value of \$504,025.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-46 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by .703 million as of June 30, 2015.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding.

The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

#### **Net Position for the period ending June 30, 2015**

Assets	
Current Assets	\$ 159,681
Non-current Assets	2,864,811
<b>Total Assets</b>	<b>3,024,492</b>
Deferred Outflows of Resources	56,601
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 3,081,093</u></b>
Liabilities	
Current Liabilities	\$ 623,561
Non-current Liabilities	1,707,525
<b>Total Liabilities</b>	<b><u>\$ 2,331,086</u></b>
Deferred Inflows of Resources	47,094
Net Position	
Investment in capital assets (net of debt)	\$ 1,018,158
Restricted	14,977
Unreserved Fund Balance	(330,222)
<b>Total Net Position</b>	<b><u>\$ 702,913</u></b>

#### **Comments on Budget Comparisons**

The District's total revenues for the fiscal year ended June 30, 2015, net of interfund transfers, were \$2,719,075.

The total cost of all programs and services was \$2,559,008 net of debt service.

General fund budget expenditures to actual varied significantly in instruction. When contributions for/on behalf are adjusted, expenditures were \$47,466 over budget.



The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2015.

<b>Revenues :</b>	
Local revenue sources	\$ 1,222,515
State revenue sources	815,553
Federal Revenue	181,787
Contributions on behalf	<u>499,220</u>
<b>Total revenues</b>	2,719,075
<b>Expenses :</b>	
Instruction	1,624,018
Student Support Services	127,474
Instructional Support	28,519
District Administration	385,649
School Administration	91,840
Business Support Services	21,217
Plant Operations	184,296
Student Transportation	58,595
Community Support	29,475
Debt Service	182,096
Capitalized Lease Obligation	7,919
Service Charges	<u>6</u>
<b>Total expenses</b>	2,741,104
Operating Transfers out	<u>(13,732)</u>
Revenues in Excess (Deficit) of Expenses and Transfers	<u>\$ (35,761)</u>

#### **General Fund Revenue**

The majority of revenue was derived from state funding (30.2%) and local taxes (51.5%).

#### **School Allocation**

Regular Instruction accounts for 60.8% of the school level expenditures.

#### **Other Allocations**

Central support services expenditures were Transportation 2.7% and Maintenance & Operations 8.2%.

## BUDGETARY IMPLICATIONS FOR FISCAL YEAR 2015 - 2016

In Kentucky, the public school fiscal year is July 1 - June 30; other programs, i.e. certain federal programs operate on a different fiscal calendar, but are reflected in the district's overall budget.

By statute, the budget must have a minimum 2% contingency. The district adopted a 2015-16 Working Budget with \$60,000 in contingency (3.3%). The beginning cash balance for the 2015-16 fiscal year is \$112,478. Significant Board actions that impact the 2015-16 fiscal year finances include: in April, 2015, the Silver Grove Board of Education passed a Utility Tax.

Also, we have several major additional programs/grants to our schools:

1) Carol B. White Grant Program (Wellness Alliance Physical Education Program)

PEP Activities - All PEP activities will be focused to help students meet standards for nutrition and physical education.

2) Nutrition Activities

- a. Students will understand that proper nutrition is essential to growth and development (KY Big Idea: Nutrition, NHES standard (1)
- b. Students will understand that resources are available to assist in making nutritional choices (KY Big Idea: Nutrition, NHES standard (3)
- c. Nutrition coaching will be provided for food service staff and nutrition teachers.
- d. Improved student experiences to make healthy choices and put knowledge to work: Youth councils, Introduction of new foods, Enrichment experiences/Wellness field trips, Targeted enrichment activities, Quarterly nutrition staff trainings, and Assessments with youth risk behavior survey.

3) United Way Bornlearning Academy

Silver Grove Schools received a \$2,000 grant from United Way of Greater Cincinnati. Ultimately the grant is funded by United Way to provide a United Way Bornlearning Academy at Silver Grove Schools. United Way Bornlearning Academy utilizes everyday moments to assist parents of birth to five year olds in boosting their child or grandchild's school readiness. It is a series of six monthly workshops on various monthly topics from routines to literacy. The program series concludes with a graduation presentation for series participants. Each workshop begins with a family meal. After dinner, parents remain in the library and their children are taken to the preschool room to play and partake in other organized activities. At the end, families are reunited. Parents or caregivers leave each workshop with something to take home and use with their child to enhance development. The funding received through the grant is used for food, supplies, prizes, and resources for parents.

## BUDGETARY IMPLICATIONS FOR FISCAL YEAR 2015 - 2016 (CONTINUED)

### 4) Reading & Writing Consultants

Reading & Writing Consultants have been hired by the district as part time reading and writing consultants at the elementary and middle/high school levels respectively. These two consultants work one on one, in small groups, as well as large groups to ensure that the writing curriculum is followed, rigorous, and fully implemented at all levels. Also, they work in tandem with their leveled teachers to create lessons, assignments, and assessments that ensure that every student fulfills their potential as a reader and as a writer.

### 5) Elementary Counseling Grant

Silver Grove is one of the recipients of a federal school counseling grant. There are three goals of the grant. Goal 1: Establish and expand professional school counseling programs. Goal 2: Improve school engagement, school environment, school safety, and improve family and community engagement. Goal 3: Provide support for military families, especially students with family in active military duty. In year one, \$8,577 will be received in the area of supplies. In year two, \$9,418 will be available in supply money, and \$7,433 in year three. The grant allows for a salary of \$25,000 plus fringe benefits.

We have attempted to be conservative in our fiscal year 2015-16 budget in order to prepare for projected state revenue shortfall.

Questions regarding this report should be directed to the Superintendent (859) 441-3894 or by mail at 101 West Third Street, Silver Grove, KY, 41085.

**SILVER GROVE INDEPENDENT SCHOOLS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 81,298	\$ (2,456)	\$ 78,842
Accounts receivable:			
Taxes - current	6,885	-	6,885
Intergovernmental - state	124	-	124
Intergovernmental - federal	58,434	-	58,434
Other	12,940	-	12,940
Inventories	-	2,456	2,456
<b>Total current assets</b>	159,681	-	159,681
<b>Noncurrent assets</b>			
Capital assets	6,643,981	29,747	6,673,728
Less: accumulated depreciation	(3,783,150)	(25,767)	(3,808,917)
<b>Total noncurrent assets</b>	2,860,831	3,980	2,864,811
<b>Total assets</b>	3,020,512	3,980	3,024,492
<b>Deferred outflows of resources</b>			
Discount on bonds - net	22,236	-	22,236
Pension contributions subsequent to the measurement date	24,915	9,450	34,365
<b>Total deferred outflows of resources</b>	47,151	9,450	56,601
<b>Total assets and deferred outflows of resources</b>	<u>\$ 3,067,663</u>	<u>\$ 13,430</u>	<u>\$ 3,081,093</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 1,686	\$ -	\$ 1,686
Other liabilities	1,796	-	1,796
Deferred revenue	59,052	-	59,052
Current portion of bond obligations	131,500	-	131,500
Current portion of capitalized lease obligation	7,628	-	7,628
Net pension liability	305,877	116,022	421,899
<b>Total current liabilities</b>	507,539	116,022	623,561
<b>Noncurrent liabilities</b>			
Noncurrent portion of bond obligations	1,707,525	-	1,707,525
<b>Total noncurrent liabilities</b>	1,707,525	-	1,707,525
<b>Total liabilities</b>	2,215,064	116,022	2,331,086
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	34,143	12,951	47,094
<b>Total deferred inflows of resources</b>	34,143	12,951	47,094
<b>Net position</b>			
Invested in capital assets, net of related debt	1,014,178	3,980	1,018,158
Restricted for:			
Encumbrances	1,805	-	1,805
Debt service	4	-	4
Accumulated unpaid sick leave benefits	31,756	-	31,756
Capital Project Funds	(18,588)	-	(18,588)
Unrestricted	(210,699)	(119,523)	(330,222)
<b>Total net position</b>	818,456	(115,543)	702,913
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 3,067,663</u>	<u>\$ 13,430</u>	<u>\$ 3,081,093</u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE INDEPENDENT SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 1,612,265	\$ -	\$ 133,068	\$ -	\$ (1,479,197)
Support services:					
Student	125,467	-	16,906	-	(108,561)
Instruction staff	20,185	-	29,450	-	9,265
District administrative	375,187	-	-	-	(375,187)
School administrative	91,203	-	-	-	(91,203)
Business Support Services	21,217	-	-	-	(21,217)
Plant operation and maintenance	177,305	-	-	-	(177,305)
Student transportation	46,501	-	-	-	(46,501)
Community service activities	29,475	-	2,363	-	(27,112)
Interest on long-term debt	51,271	-	-	-	(51,271)
Depreciation	222,344	-	-	-	(222,344)
Amortization	1,655	-	-	-	(1,655)
Interest on capitalized lease obligation	584	-	-	-	(584)
Service Charges	6	-	-	-	(6)
Pension Expense	75,001	-	-	-	(75,001)
<b>Total governmental activities</b>	<b>2,849,666</b>	<b>-</b>	<b>181,787</b>	<b>-</b>	<b>(2,667,879)</b>
<b>Business-Type Activities</b>					
Food service	142,966	36,057	87,457	-	(19,452)
<b>Total business-type activities</b>	<b>142,966</b>	<b>36,057</b>	<b>87,457</b>	<b>-</b>	<b>(19,452)</b>
<b>Total primary government</b>	<b>\$ 2,992,632</b>	<b>\$ 36,057</b>	<b>\$ 269,244</b>	<b>\$ -</b>	<b>(2,687,331)</b>
<b>General Revenues:</b>					
Taxes:					
Property taxes		1,125,923			1,125,923
Motor vehicle taxes		48,469			48,469
Investment earnings		796			796
State and formula grants		815,553			815,553
Miscellaneous		47,327			47,327
On behalf payments		499,220			499,220
Operating transfers out		(13,732)			(13,732)
Total general revenues and transfers		2,523,556			2,523,556
Change in net position		(144,323)			(163,775)
Net position - beginning of year - Restated		962,779			866,688
Net position - end of year		\$ 818,456			\$ 702,913

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE INDEPENDENT SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 112,478	\$ (12,596)	\$ -	\$ (18,584)	\$ 81,298
Accounts receivable:					
Taxes - current	6,885	-	-	-	6,885
Intergovernmental - state	-	124	-	-	124
Intergovernmental - federal	-	58,434	-	-	58,434
Other	-	12,940	-	-	12,940
<b>Total assets</b>	<u>\$ 119,363</u>	<u>\$ 58,902</u>	<u>\$ -</u>	<u>\$ (18,584)</u>	<u>\$ 159,681</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,836	\$ (150)	\$ -	\$ -	\$ 1,686
Other liabilities	1,796	-	-	-	1,796
Deferred revenue	-	59,052	-	-	59,052
<b>Total liabilities</b>	3,632	58,902	-	-	62,534
<b>Fund balances</b>					
Restricted for:					
Encumbrances	1,805	-	-	-	1,805
Debt service	-	-	-	4	4
Capital project funds	-	-	-	(18,588)	(18,588)
Accumulated unpaid sick leave benefits	31,756	-	-	-	31,756
Unassigned:	82,170	-	-	-	82,170
<b>Total fund balances</b>	<u>115,731</u>	<u>-</u>	<u>-</u>	<u>(18,584)</u>	<u>97,147</u>
<b>Total liabilities and fund balances</b>	<u>\$ 119,363</u>	<u>\$ 58,902</u>	<u>\$ -</u>	<u>\$ (18,584)</u>	<u>\$ 159,681</u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE INDEPENDENT SCHOOLS  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

Total fund balance per fund financial statements	\$ 97,147
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	2,860,831
Deferred outflows of resources are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position.	47,151
Deferred inflows of resources are not reported in this fund financial statement but they are reported in the statement of net position.	(34,143)
Certain liabilities (such as bonds payable, capital lease obligations, net pension liability, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.	<u>(2,152,530)</u>
Net position for governmental activities	<u>\$ 818,456</u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE INDEPENDENT SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
From local sources				
Taxes				
Property	\$1,079,421	\$ -	\$ 46,502	\$ 1,125,923
Motor vehicle	48,469	-	-	48,469
Earnings on investments	796	-	-	796
Other local revenues	2,596	44,731	-	47,327
Intergovernmental - state	662,133	117,171	36,249	815,553
Intergovernmental - federal	-	181,787	-	181,787
On behalf payments	397,387	-	101,833	499,220
<b>Total revenues</b>	<b>2,190,802</b>	<b>343,689</b>	<b>184,584</b>	<b>2,719,075</b>
<b>EXPENDITURES</b>				
Instruction	1,343,035	280,983	-	1,624,018
Support services:				
Student	102,784	24,690	-	127,474
Instruction staff	15,870	12,649	-	28,519
District administrative	384,898	751	-	385,649
School administrative	91,840	-	-	91,840
Business Support Services	21,217	-	-	21,217
Plant operation and maintenance	181,808	-	2,488	184,296
Student transportation	58,595	-	-	58,595
Community service activities	985	28,490	-	29,475
Debt service	-	-	182,096	182,096
Capitalized lease obligation	7,919	-	-	7,919
Service charges	-	-	6	6
<b>Total expenditures</b>	<b>2,208,951</b>	<b>347,563</b>	<b>184,590</b>	<b>2,741,104</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(18,149)</b>	<b>(3,874)</b>	<b>(6)</b>	<b>(22,029)</b>
<b>Other financing sources (uses)</b>				
Operating transfers in	-	3,874	80,263	84,137
Operating transfers out	(17,606)	-	(80,263)	(97,869)
<b>Total other financing sources (uses)</b>	<b>(17,606)</b>	<b>3,874</b>	<b>-</b>	<b>(13,732)</b>
<b>Net change in fund balances</b>	<b>(35,755)</b>	<b>-</b>	<b>(6)</b>	<b>(35,761)</b>
<b>Fund balance, July 1, 2014</b>	<b>151,486</b>	<b>-</b>	<b>(18,578)</b>	<b>132,908</b>
<b>Fund balance, June 30, 2015</b>	<b>\$ 115,731</b>	<b>\$ -</b>	<b>\$ (18,584)</b>	<b>\$ 97,147</b>

The accompanying notes are an integral part of the financial statements.



**SILVER GROVE INDEPENDENT SCHOOLS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Net change in total fund balances per fund financial statements	\$	(35,761)
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Amounts reported for governmental activities in the statement of activities  
are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation and amortization expense exceeds capital outlays for the year.		(196,636)
--	--	-----------

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but, are reductions of liabilities in the statement of activities.

Bond principal payments		130,825
-------------------------	--	---------

Capitalized lease obligation		7,335
------------------------------	--	-------

Pension expense		(75,001)
-----------------	--	----------

Reduction in CERS expense		24,915
---------------------------	--	--------

Change in net position of governmental activities	\$	<u>(144,323)</u>
---	----	------------------

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE INDEPENDENT SCHOOLS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ (2,456)
Inventories	<u>2,456</u>

**Total current assets** -

**Noncurrent assets**

Capital assets	29,747
Less: accumulated depreciation	<u>(25,767)</u>

**Total noncurrent assets** 3,980

**Total assets** 3,980

**Deferred outflows of resources**

Pension contributions subsequent to the measurement date	<u>9,450</u>
--	--------------

**Total deferred outflows of resources** 9,450

**Total assets and deferred outflows of resources** \$ 13,430

**LIABILITIES**

**Net pension liability**

\$ 116,022

**Total liabilities** 116,022

**Deferred inflows of resources**

Net difference between projected and actual earnings on pension plan investments	<u>12,951</u>
--	---------------

**Total deferred inflows of resources** 12,951

**Net position**

Invested in capital assets, net of related debt	3,980
Restricted for Food Service	<u>(119,523)</u>

**Total net position** (115,543)

**Total liabilities, deferred inflows of resources, and net position** \$ 13,430

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE INDEPENDENT SCHOOLS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**OPERATING REVENUES**

Lunchroom sales	\$ 11,620
On behalf payments	24,155
Other	<u>282</u>

<b>Total operating revenues</b>	<b>36,057</b>
---------------------------------	---------------

**OPERATING EXPENSES**

Salaries and wages	73,914
Materials and supplies	36,296
Other operating expenses	2,994
Depreciation	1,314
Pension expense	<u>28,448</u>

<b>Total operating expenses</b>	<b><u>142,966</u></b>
---------------------------------	-----------------------

OPERATING INCOME (LOSS)	(106,909)
-------------------------	-----------

**NON-OPERATING REVENUES**

Federal grants	72,584
State grant	1,141
Transfers in	<u>13,732</u>

<b>Total non-operating revenues</b>	<b><u>87,457</u></b>
-------------------------------------	----------------------

Change in net position	(19,452)
------------------------	----------

<b>Net position, July 1, 2014 - Restated</b>	<b><u>(96,091)</u></b>
--	------------------------

<b>Net position, June 30, 2015</b>	<b><u><u>\$ (115,543)</u></u></b>
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The accompanying notes are an integral part of the financial statements.

**SILVER GROVE INDEPENDENT SCHOOLS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Lunchroom sales	\$ 11,620	
Other	282	
Transfers in	<u>13,732</u>	
		\$ 25,634

**Expenses**

Salaries and Wages	59,209	
Materials and supplies	45,394	
Other operating expenses	<u>2,994</u>	
		<u>107,597</u>

**NET CASH USED IN OPERATING  
ACTIVITIES** (81,963)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Government grants	<u>73,725</u>
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**NET CASH PROVIDED BY FINANCING  
ACTIVITIES** 73,725

**DECREASE IN CASH** (8,238)

Cash at beginning of year	<u>5,782</u>
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**CASH AT END OF YEAR** \$ (2,456)

**SILVER GROVE INDEPENDENT SCHOOLS  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

**RECONCILIATION OF OPERATING INCOME (LOSS)  
TO NET CASH USED IN OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (106,909)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation	1,314
Pension expense	28,448
Reduction in CERS expense	(9,450)
Changes in operating assets and liabilities:	
Increase in Inventories	(78)
Decrease in Accounts Payable	(9,020)
Transfers in	<u>13,732</u>

**NET CASH USED IN OPERATING  
ACTIVITIES**

\$ (81,963)

**NON-CASH NON CAPITAL FINANCING ACTIVITIES**

Donated commodities received from the Federal Government	<u><u>\$ 9,834</u></u>
--	------------------------

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE INDEPENDENT SCHOOLS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015**

	<u>Agency Fund</u>
<b>ASSETS AND RESOURCES</b>	
Cash and Cash Equivalents	<u>\$          7,684</u>
Total Assets and Resources	7,684
<b>LIABILITIES</b>	
Accounts Payable	576
Due to Student Groups: School Activities Funds	<u>7,108</u>
Total Liabilities	<u>7,684</u>
 <b>Net Position Held in Trust</b>	 <u><u>\$          -0-</u></u>

The accompanying notes are an integral part of the financial statements.

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
REPORTING ENTITY

The Silver Grove Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Silver Grove Independent Schools (District). The Board receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Silver Grove Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Silver Grove Independent Schools Finance Corporation - On September 14, 1992, The Silver Grove, Kentucky, Board of Education resolved to authorize the establishment of the Silver Grove Independent Schools Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Silver Grove Board of Education also comprise the Corporation's Board of Directors.

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

Basis of Presentation

Government-wide Statements - The statement of net position and the statement of activities display information about the financial activities of the overall District, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column.



SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

The funds of the financial reporting entity are described below:

Governmental Fund Types

The *General Fund* is the primary operating fund of the District and is always classified as a major fund per GASB Statement No. 34. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.

The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. The Kentucky Department of Education has deemed this fund always be classified as a major fund.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan. (See reference to Program Review 96-DFIN-157).

The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.

The Construction Fund accounts for proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the district.

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Funds (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). No amounts have been recorded for in-kind contribution of commodities from the USDA.

Fiduciary Fund Type (includes agency and trust funds)

The Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

Basis of Accounting (Continued)

Nonexchange transactions, in which the District received value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is not recognized until there is an enforceable legal claim. This legal claim does not arise until the taxes become delinquent, which is the fiscal year after the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements in which the District must provide local resources to be used for a specified purpose, and expenditure requirements in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grant and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

All business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budgetary basis and GAAP are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to susceptible to accrual (GAAP).

Differences between the budgetary accounting method and GAAP are not material.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided. An encumbrance at June 30, 2015, has been set up for accumulated unpaid sick leave benefits, and other items.

Cash and Cash Equivalents - The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Fund, which records inventory using the accrual basis of accounting. The Proprietary Fund inventory is recorded at the lower of cost, determined by first-in first-out ("FIFO") method, or market value.

Deferred Charges

Costs related to revenue bond issues are capitalized as deferred charges and amortized over the life of the bond issue.

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Government Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

Accrued Liabilities and Long-Term Obligations (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that a portion of fund equity is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS' financial net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE B - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year ended June 30, 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments".

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District's program between business-type and governmental activities.

NOTE C - ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the district's cash and cash equivalents was \$86,526 and the bank balance was \$187,153. Of the total cash balance, \$86,526 was covered by Federal depository insurance. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

General Fund, cash and cash equivalents at June 30, 2015 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
BB&T - Checking	\$ <u>177,262</u>	\$ <u>112,478</u>
	\$ <u>177,262</u>	\$ <u>112,478</u>

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease and bonded debt obligations represents the District's future obligations to make lease and bonded debt payments relating to the bonds issued by the Fiscal Court of Campbell County and City of Silver Grove, Kentucky.

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2015.

	Amount of Debt Outstanding July 1, 2014	Additions of New Debt	Repayments	Debt Outstanding June 30, 2015	Amount Expected to be Paid Within One Year
Governmental Activities					
General Obligation Bonds	<u>\$ 1,969,850</u>	<u>\$ -</u>	<u>\$ 130,825</u>	<u>\$ 1,839,025</u>	<u>\$ 131,500</u>
Capital Leases	<u>\$ 14,963</u>	<u>\$ -</u>	<u>\$ 7,335</u>	<u>\$ 7,628</u>	<u>\$ 7,628</u>

The repayment of general obligation bonds includes the following:

Paid by the District	\$ 66,620
Paid by the Kentucky School Facility Construction Commission	<u>64,205</u>
Repayments on General Obligation Bonds	<u>\$ 130,825</u>

The original amount of the issue, the issue date and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>	<u>Outstanding Balance at June 30, 2015</u>
June 1, 2011	\$580,000	2.00% - 4.375%	\$ 495,000
March 1, 2012	\$975,000	1.60% - 2.45%	840,000
October 1, 2012	\$550,000	1.25% - 3.25%	504,025
			<u>\$ 1,839,025</u>

The District, through the General Fund (including utility taxes, Facility Support Program of Kentucky Fund (FSPK), and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Campbell County Fiscal Court and the City of Silver Grove to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.



SILVER GROVE INDEPENDENT SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT (CONTINUED)

In 1992, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The tables below set forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2015 for debt service (principal and interest) are as follows:

June 1, 2011 Issue:

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION			
YEAR	PRINCIPAL	INTEREST	TOTAL
2015-2016	\$ 25,000	\$ 19,594	\$ 44,594
2016-2017	25,000	19,094	44,094
2017-2018	25,000	18,294	43,294
2018-2019	25,000	17,494	42,494
2019-2020	25,000	16,694	41,694
2020-2031	370,000	103,829	473,829
	<u>\$ 495,000</u>	<u>\$ 194,999</u>	<u>\$ 689,999</u>

March 1, 2012 Issue:

SILVER GROVE INDEPENDENT SCHOOLS			KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION		
YEAR	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	TOTAL
2015-2016	\$ 66,326	\$ 12,577	\$ 18,674	\$ 3,413	\$ 100,990
2016-2017	71,027	11,516	18,973	3,114	104,630
2017-2018	70,724	10,379	19,276	2,811	103,190
2018-2019	70,415	9,248	19,585	2,502	101,750
2019-2020	70,102	8,121	19,898	2,189	100,310
2020-2024	311,641	18,581	83,359	4,989	418,570
	<u>\$ 660,235</u>	<u>\$ 70,422</u>	<u>\$ 179,765</u>	<u>\$ 19,018</u>	<u>\$ 929,440</u>

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT (CONTINUED)

October 1, 2012 Issue:

<u>YEAR</u>	<u>KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015-2016	\$ 21,500	\$ 13,562	\$ 35,062
2016-2017	22,380	13,288	35,668
2017-2018	23,480	13,002	36,482
2018-2019	24,780	12,545	37,325
2019-2020	26,230	11,907	38,137
2020-2033	385,655	82,238	467,893
	<u>\$ 504,025</u>	<u>\$ 146,542</u>	<u>\$ 650,567</u>

NOTE F - ACCUMULATED UNPAID SICK LEAVE BENEFITS

The district currently has a policy in place concerning accumulated unpaid sick leave benefits. The district will pay as unpaid sick leave benefits, an amount equal to 30% of the value of accumulated sick leave. At June 30, 2015 there is one certified employee with 27 or more years of experience.

NOTE G - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2015, consisted of the following:  
NONE

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE H - CAPITAL ASSETS

Capital Asset activity for the fiscal year ended June 30, 2015, was as follows:

<b>Governmental Activities</b>	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2015</b>
Land	\$ 144,500	\$ -	\$ -	\$ 144,500
Land Improvements	8,800	-	-	8,800
Building and improvements	5,786,950	-	-	5,786,950
Technology equipment	473,484	11,942	-	485,426
Vehicles	105,605	10,750	-	116,355
General equipment	97,279	4,671	-	101,950
Totals at historical cost	6,616,618	27,363	-	6,643,981
Less: accumulated depreciation				
Land Improvements	3,850	440	-	4,290
Building and improvements	3,042,094	184,766	-	3,226,860
Technology equipment	359,167	23,963	-	383,130
Vehicles	86,545	9,892	-	96,437
General equipment	69,150	3,283	-	72,433
Total accumulated depreciation	3,560,806	222,344	-	3,783,150
Governmental Activities Capital Assets - Net	<u>\$ 3,055,812</u>	<u>\$ (194,981)</u>	<u>\$ -</u>	<u>\$ 2,860,831</u>

<b>Business-Type Activities</b>	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2015</b>
Technology equipment	\$ 2,810	\$ -	\$ -	\$ 2,810
General equipment	26,937	-	-	26,937
Totals at historical cost	29,747	-	-	29,747
Less: accumulated depreciation				
Technology equipment	2,218	145	-	2,363
General equipment	22,235	1,169	-	23,404
Total accumulated depreciation	24,453	1,314	-	25,767
Capital Assets - Net	<u>\$ 5,294</u>	<u>\$ (1,314)</u>	<u>\$ -</u>	<u>\$ 3,980</u>

NOTE I - PROPERTY TAXES

The District's ad valorem property tax is levied each September 30, on the assessed value listed as of the prior January 1, for all real and personal property located in the District. Taxes are due on January 2, and become delinquent after January 31, following the September 30, levy date.

The property tax rates assessed for the year ended June 30, 2015 were \$1.293 per \$100 valuation for real property, \$1.293 per \$100 valuation for business personal property, and \$.896 per \$100 valuation for motor vehicles.

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE I - PROPERTY TAXES (continued)

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gas.

NOTE J - RETIREMENT PLANS

All certified employees are covered under the Kentucky Teachers Retirement System (KTRS). For employees hired before July 1, 2008, funding for the Plan is provided through payroll withholdings of 12.105% and State contributions of 13.105% of salaries. For employees hired after July 1, 2008, funding for the Plan is provided through payroll withholdings of 12.105%, and State contributions of 14.105% of salaries. The matching contributions are paid by the Federal program for any salaries paid by that program.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system. For employees hired before September 1, 2008, funding for the plan is provided through payroll withholdings of 5.00% and a district contribution of 17.67% of salaries. For employees hired after September 1, 2008, funding for the plan is provided through payroll withholdings of 6.00% and a district contribution of 17.67% of salaries.

The District's total payroll for the year was \$1,578,945. The payroll for employees covered under KTRS was \$1,384,462 and for CERS was \$194,483.

The contribution requirement for CERS for the year ended June 30, 2015 was \$44,971 which consisted of \$34,365 from the District and \$10,606 from the employees.

The contribution requirement for KTRS for the year ended June 30, 2015 was \$356,430 which consisted of \$168,918 from the State of Kentucky, \$167,589 from the employees, and \$19,923 from federal programs.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE J - RETIREMENT PLANS (CONTINUED)

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS does not make separate measurements of assets and pension benefit obligation for individual employers.

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2015, comprehensive annual financial reports.

As the Board is only one of several employers participating in the KTRS Plan, it is not practical to determine the Board's portion of the unfunded past service cost or the vested benefits of the Board's portion of the Plan assets.

**General Information about the Pension Plan**

*Plan description:* County Employees Retirement System consists of two plans, Nonhazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in nonhazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS.

*Benefits provided:* These systems provide for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

Retirement Eligibility for Members Whose Participation Began Before 09/01/2008

<u>Age</u>	<u>Years of Service</u>	<u>Allowance Reduction</u>
65	4	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

SILVER GROVE INDEPENDENT SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

NOTE J - RETIREMENT PLANS (CONTINUED)

*Benefits provided (continued):*

Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service).

Benefit Formula			
Final Compensation	X	Benefit Factor	X Years of Service
Average of the five highest if participation began before 09/01/2008.		2.20% if:	Member begins participating prior to 08/01/2004.
		2.00% if:	Member begins participating on or after 08/01/2004 and before 09/01/2008.
Average of the last complete five if participation began on or after 09/01/2008.		Increasing percent based on service at retirement* plus 2.0% for each year of service over 30 if:	Member begins participating on or after 09/01/2008.
			Includes earned service, purchased service, prior service, and sick leave (if the member's employer participates in an approved sick leave program).

**\*Service (and Benefit Factor): 10 years or less (1.10%); 10-20 years (1.30%); 20-26 years (1.50%); 26-30 years (1.75%)**

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

For disability benefits, members participating before 08/01/2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after 01/01/2004 but before 01/01/2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed at the higher of 20% of final rate of pay or the amount calculated under the benefit formula based upon actual service. Members participating on or after 01/01/2014 may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE J - RETIREMENT PLANS (CONTINUED)

to the larger of 20% of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

For pre-retirement death benefits, the beneficiary of a deceased active member will be eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or, (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1, of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effect date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgement, the welfare of the Commonwealth so demands.

Each system's assets are used only for the payment of benefits to the members of that system, and pro-rata share of administrative costs in accordance with the provisions of the Kentucky Revised Statute Section 78.630.

*Contributions:* For the fiscal years ended June 30, 2015 and 2014, plan members who began participating prior to September 1, 2008, were required to contribute 5% nonhazardous and 8% hazardous of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate for CERS pensions. Per Kentucky Revised Statute Section CERS 78.545, normal

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE J - RETIREMENT PLANS (CONTINUED)

contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1, of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2015, participating employers contributed 17.67% for the nonhazardous system and 34.31% to the hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the pension plan from the District were \$34,365 for the year ended June 30, 2015.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.**

At June 30, 2015, the District reported a liability of \$421,899 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2015, the District's proportion for the nonhazardous system was .013004% and for the hazardous system was 0.0%.

For the year ended June 30, 2015, the District recognized pension expense of \$103,449. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 47,094
Contributions subsequent to the measurement date	<u>34,365</u>	<u>-</u>
Total	<u>\$ 34,365</u>	<u>\$ 47,094</u>



SILVER GROVE INDEPENDENT SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE J - RETIREMENT PLANS (CONTINUED)

\$34,365 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ 9,419
2017	9,419
2018	9,419
2019	9,419
2020	9,419
Total	<u>\$ 47,094</u>

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Nominal Return
Domestic Equity	30.00 %	8.45 %
International Equity	22.00	8.85
Emerging Market Equity	5.00	10.50
Private Equity	7.00	11.25
Real Estate	5.00	7.00
Core U.S. Fixed Income	10.00	5.25
High Yield U.S. Fixed Income	5.00	7.25
Non U.S. Fixed Income	5.00	5.50
Commodities	5.00	7.75
TIPS	5.00	5.00
Cash	1.00	3.25
Total	<u>100.00 %</u>	

*Discount rate:* The discount rate used to measure the total pension liability was 7.75%. The projections of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE J - RETIREMENT PLANS (CONTINUED)

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate:* The following presents the District's proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Nonhazardous	\$ 555,191	\$ 421,899	\$ 304,132
Hazardous	-	-	-

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

*Actuarial assumptions:* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2005 - June 30, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5% average, including inflation
Investment Rate of Return	7.75% net of pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The group Annuity Mortality Table set forward five years is used for the period after disability retirement.

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE J - RETIREMENT PLANS (CONTINUED)

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, at a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

NOTE K - CONTINGENCIES

The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.]

NOTE L - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Worker's compensation insurance.

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE M - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier.

The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro-rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund.

In addition, the District continues to carry commercial insurance for all other risks of loss, including the coverages listed on page 59 of the supplemental data. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE N - DEFICIT OPERATING/FUND BALANCES

The General Fund had operations that resulted in a current year deficit of revenues over expenditures of (\$35,755). The Debt Service Funds had operations that resulted in a current year deficit of revenues over expenditures of (\$6). The Proprietary Fund had operations that resulted in a current year deficit of revenues over expenditures of (\$19,452).

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE O - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). The District has notified all terminated employees of available continuing insurance coverage as mandated by Cobra.

NOTE P - TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>
General Fund	Proprietary Fund (Food Service)	\$ 13,732
General Fund	Special Revenue Fund	3,874
Building Fund	Debt Service Fund	65,311
Capital Outlay Fund	Debt Service Fund	14,952

NOTE Q - COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for equipment provide the minimum future rental payments as of June 30, 2015, as follows:  
NONE

NOTE R - ANNUAL FINANCIAL REPORT DIFFERENCES

In its Annual Report - Financial required by the Kentucky Department of Education (the "Report"), the Board recorded the receipt of certain receivables and the payment of certain payables subsequent to year ended as cash receipts and disbursements for the year ended June 30, 2015. In the accompanying financial statements, these amounts are included in accounts receivable and accounts payable.

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE R - ANNUAL FINANCIAL REPORT DIFFERENCES (CONTINUED)

The following is a reconciliation of the June 30, 2015, fund balance reported by the board to the Kentucky Department of Education with that shown in the accompanying financial statements:

	General Fund	Special Revenue Funds
Fund Balance, as reported to the Department of Education	\$ 83,672	\$ -0-
Adjustments		
Accounts receivable	1,891	-0-
Accounts payable	3,116	-0-
Accumulated unpaid sick leave benefits	<u>27,052</u>	<u>-0-</u>
 Fund Balance, as reported in the accompanying financial statements	 <u>\$ 115,731</u>	 <u>\$ -0-</u>
Accumulated unpaid sick leave benefits	\$ 31,756	\$ -0-
Reserved for encumbrances	1,805	-0-
Unreserved	<u>82,170</u>	<u>-0-</u>
	<u>\$ 115,731</u>	<u>\$ -0-</u>

The following is a schedule of the changes in the components of the fund balance of the general fund during the fiscal year ended June 30, 2015:

	<u>Reserved for Encumbrances</u>	<u>Accumulated Unpaid Sick Leave Benefits</u>	<u>Unreserved</u>	<u>Total Fund Balance</u>
Balance at beginning of year	\$ -0-	\$ 27,052	\$ 124,434	\$ 151,486
Excess (Deficit) of revenues and other financing sources over expenditures and other financing uses	<u>1,805</u>	<u>4,704</u>	<u>(42,264)</u>	<u>(35,755)</u>
Balance at End of Year	<u>\$ 1,805</u>	<u>\$ 31,756</u>	<u>\$ 82,170</u>	<u>\$ 115,731</u>

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE R - ANNUAL FINANCIAL REPORT DIFFERENCES (CONTINUED)

The following is a reconciliation of the cash balance as reported in the accompanying financial statements with that reported to the Kentucky Department of Education:

	<u>General Fund</u>	<u>Special Revenue</u>
Funds		
Cash Balance per Report to Kentucky Department of Education	\$ 112,484	\$ (12,596)
Cash adjustment	<u>(6)</u>	<u>-0-</u>
Cash Balance, as reported in the accompanying financial statements	<u>\$ 112,478</u>	<u>\$ (12,596)</u>

NOTE S - CAPITALIZED EQUIPMENT LEASE

The Board entered into a capitalized equipment lease agreement as of January 1, 2006 with the Kentucky Interlocal School Transportation Association (KISTA). The lease is for a new school bus. The lease expires in March, 2016. Depreciation of assets under capitalized leases is included in depreciation expense for 2015.

The following is the minimum lease obligation for the capitalized lease:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015-2016	<u>\$ 7,628</u>	<u>\$ 305</u>	<u>\$ 7,933</u>
	<u>\$ 7,628</u>	<u>\$ 305</u>	<u>\$ 7,933</u>

SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE T - ON-BEHALF PAYMENTS

For the year ended June 30, 2015 payments of \$21,217 were made for technology, \$412 for life insurance, \$214,468 for health insurance, \$168,918 for KTRS matching, \$2,877 for administrative fees and \$13,650 for health reimbursement by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities. These revenues and expenditures are not budgeted by the District. \$397,387 was recorded in the General Fund and \$24,155 was recorded in the Food Service Fund.

Payments totaling \$101,833 were made by the Kentucky School Facilities Construction Commission for its participation in the District's bonds, which are included in the debt service expenditures.

NOTE U - GASB 54 FUND BALANCE REPORTING & GOVERNMENTAL FUND TYPE DEFINITIONS

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2015, the District had (\$18,584) restricted in nonmajor funds, (\$18,588) restricted for capital projects and \$4 restricted for debt service.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. No amounts have been assigned to encumbrances at June 30, 2015. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.



SILVER GROVE INDEPENDENT SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE U - GASB 54 FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE  
DEFINITIONS (CONTINUED)

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE V - SUBSEQUENT EVENTS

The Board of Education has evaluated subsequent events through November 3, 2015, the date on which the financial statements were available to be issued.

NOTE W - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

The District adopted Governmental Accounting Standards Board (GASB) Statement NO. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, for the County Employee's Retirement System and Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and expenses/expenditures. For defined benefit pensions, these statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attributes that present value to period of employee service. These statements also require enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope.

The implementation of GASB Statements No. 68 and 71 had the following effect:

Net Position, June 30, 2014	\$ 1,232,232
Recognition of Contributions after Measurement Date	56,355
Recognition of Net Pension Liability	<u>(421,899)</u>
Restated Net Position, June 30, 2014	<u>\$ 866,688</u>

**SILVER GROVE INDEPENDENT SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
From local sources				
Taxes				
Property	\$ 980,610	\$ 980,610	\$1,079,421	\$ 98,811
Motor vehicle	46,809	46,809	48,469	1,660
Tuition and fees	1,000	1,000	-	(1,000)
Earnings on investments	1,000	1,000	796	(204)
Other local revenues	-	-	2,596	2,596
Intergovernmental - state	720,800	720,800	662,133	(58,667)
On behalf payments	-	-	397,387	397,387
<b>Total revenues</b>	<u>1,750,219</u>	<u>1,750,219</u>	<u>2,190,802</u>	<u>440,583</u>
<b>EXPENDITURES</b>				
Instruction	984,329	984,329	1,343,035	358,706
Support services:				
Student	104,464	104,464	102,784	(1,680)
Instruction staff	20,073	20,073	15,870	(4,203)
District administrative	323,426	323,426	384,898	61,472
School administrative	80,251	80,251	91,840	11,589
Business Support Services	-	-	21,217	21,217
Plant operation and maintenance	183,581	183,581	181,808	(1,773)
Student transportation	35,089	35,089	58,595	23,506
Community Services	500	500	985	485
Contingency	117,221	117,221	-	(117,221)
Capitalized lease obligation	9,486	9,486	7,919	(1,567)
<b>Total expenditures</b>	<u>1,858,420</u>	<u>1,858,420</u>	<u>2,208,951</u>	<u>350,531</u>
<b>Excess (deficit) of revenues over expenditures</b>	(108,201)	(108,201)	(18,149)	90,052
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	-	-
Operating transfers out	(2,435)	(2,435)	(17,606)	(15,171)
<b>Total other financing sources (uses)</b>	(2,435)	(2,435)	(17,606)	(15,171)
<b>Net change in fund balance</b>	(110,636)	(110,636)	(35,755)	74,881
<b>Fund balance, July 1, 2014</b>	<u>151,486</u>	<u>151,486</u>	<u>151,486</u>	<u>-</u>
<b>Fund balance, June 30, 2015</b>	<u>\$ 40,850</u>	<u>\$ 40,850</u>	<u>\$ 115,731</u>	<u>\$ 74,881</u>

**SILVER GROVE INDEPENDENT SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
SPECIAL REVENUE  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>	Original	Final	Actual	
Intergovernmental - state	\$ 127,084	\$ 127,084	\$ 117,171	\$ (9,913)
Intergovernmental - federal	177,046	177,046	181,787	4,741
Other local revenues	500	500	44,731	44,231
<b>Total revenues</b>	304,630	304,630	343,689	39,059
<b>EXPENDITURES</b>				
Current				
Instruction	253,437	253,437	280,983	27,546
Support services				
Student	-	-	24,690	24,690
Instructional staff	35,826	35,826	12,649	(23,177)
Community services	28,491	28,491	28,490	(1)
District Administrative	750	750	751	1
<b>Total expenditures</b>	318,504	318,504	347,563	29,059
<b>Excess (deficit) of revenues over expenditures</b>	(13,874)	(13,874)	(3,874)	10,000
<b>Other financing sources (uses)</b>				
Operating transfers in	3,874	3,874	3,874	-
Operating transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	3,874	3,874	3,874	-
<b>Net change in fund balance</b>	(10,000)	(10,000)	-	10,000
<b>Fund balance, July 1, 2014</b>	-	-	-	-
<b>Fund balance, June 30, 2015</b>	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>\$ -</u>	<u>\$ 10,000</u>

**SILVER GROVE INDEPENDENT SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<u>FSPK FUND</u>	<u>SEEK FUND</u>	<u>DEBT SERVICE FUNDS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
ASSETS AND RESOURCES:				
Cash and Cash equivalents	\$ (24,231)	\$ 5,643	\$ 4	\$ (18,584)
TOTAL ASSETS AND RESOURCES	<u>\$ (24,231)</u>	<u>\$ 5,643</u>	<u>\$ 4</u>	<u>\$ (18,584)</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES:				
RESTRICTED FOR:				
Capital Project Funds	(24,231)	5,643	-	(18,588)
Debt Service	-	-	4	4
TOTAL FUND BALANCES	<u>(24,231)</u>	<u>5,643</u>	<u>4</u>	<u>(18,584)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ (24,231)</u>	<u>\$ 5,643</u>	<u>\$ 4</u>	<u>\$ (18,584)</u>

**SILVER GROVE INDEPENDENT SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR YEAR ENDED JUNE 30, 2015**

	FSPK FUND	SEEK FUND	DEBT SERVICE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 46,502	\$ -	\$ -	\$ 46,502
Intergovernmental-State	18,809	17,440	-	36,249
On Behalf Payments	-	-	101,833	101,833
TOTAL REVENUES	65,311	17,440	101,833	184,584
EXPENDITURES:				
Debt Service	-	-	182,096	182,096
Plant Operation and Maintenance	-	2,488	-	2,488
Service Charges	-	-	6	6
TOTAL EXPENDITURES	-	2,488	182,102	184,590
Excess (deficit) of revenues over expenditures	65,311	14,952	(80,269)	(6)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	80,263	80,263
Operating transfers out	(65,311)	(14,952)	-	(80,263)
TOTAL OTHER FINANCING SOURCES (USES):	(65,311)	(14,952)	80,263	-
Net change in fund balances	-	-	(6)	(6)
Fund balance July 1, 2014	(24,231)	5,643	10	(18,578)
Fund balance June 30, 2015	<u>\$ (24,231)</u>	<u>\$ 5,643</u>	<u>\$ 4</u>	<u>\$ (18,584)</u>

**SILVER GROVE INDEPENDENT SCHOOLS  
COMBINING BALANCE SHEET  
ALL DEBT SERVICE FUNDS  
JUNE 30, 2015**

	<u>2004 Bond Issue</u>	<u>2011 Bond Issue</u>	<u>March 1, 2012 Bond Issue</u>	<u>October 1, 2012 Bond Issue</u>	<u>Total Debt Service Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 4</u>
Total assets	<u><u>\$ -</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4</u></u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	-	-	-	-	-
<b>FUND BALANCES</b>					
Reserved for debt service	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>	<u>4</u>
Total fund balances	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>	<u>4</u>
Total liabilities and fund balances	<u><u>\$ -</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4</u></u>

**SILVER GROVE INDEPENDENT SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2004 Bond Issue</u>	<u>2011 Bond Issue</u>	<u>March 1, 2012 Bond Issue</u>	<u>October 1, 2012 Bond Issue</u>	<u>Total Debt Service Funds</u>
<b>REVENUES</b>					
On behalf payments	\$ -	\$ 45,094	\$ 22,087	\$ 34,652	\$ 101,833
Total revenues	-	45,094	22,087	34,652	101,833
<b>EXPENDITURES</b>					
Current					
Bonds paid	-	25,000	85,000	20,825	130,825
Interest paid	-	20,094	17,350	13,827	51,271
Service charges	6	-	-	-	6
Total expenditures	6	45,094	102,350	34,652	182,102
Excess (deficit) of revenues over expenditures	(6)	-	(80,263)	-	(80,269)
Other financing sources (uses)					
Operating transfers in	-	-	80,263	-	80,263
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	80,263	-	80,263
Net change in fund balances	(6)	-	-	-	(6)
Fund balance, July 1, 2014	6	2	2	-	10
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 4</u>

**SILVER GROVE INDEPENDENT SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FSPK FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	FSPK Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUES</b>			
From local sources:			
Taxes:			
Property	\$ 46,502	\$ 46,502	\$ -
Intergovernmental - state	18,809	18,809	-
Total revenues	65,311	65,311	-
<b>EXPENDITURES</b>			
Total expenditures	-	-	-
Excess (deficit) of revenues over expenditures	65,311	65,311	-
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers out	(65,311)	(65,311)	-
Total other financing sources (uses)	(65,311)	(65,311)	-
Net change in fund balance	-	-	-
Fund balance, July 1, 2014	-	(24,231)	(24,231)
Fund balance, June 30, 2015	\$ -	\$ (24,231)	\$ (24,231)



**SILVER GROVE INDEPENDENT SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
SEEK CAPITAL OUTLAY FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	SEEK Capital Outlay Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Intergovernmental - state	\$ 17,440	\$ 17,440	\$ -
Total revenues	17,440	17,440	-
<b>EXPENDITURES</b>			
Plant Operation and Maintenance	2,488	2,488	-
Total expenditures	2,488	2,488	-
Excess of revenues over expenditures	14,952	14,952	-
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers out	(14,952)	(14,952)	-
Total other financing sources (uses)	(14,952)	(14,952)	-
Net change in fund balance	-	-	-
Fund balance, July 1, 2014	-	5,643	5,643
Fund balance, June 30, 2015	\$ -	\$ 5,643	\$ 5,643

**SILVER GROVE INDEPENDENT SCHOOLS**  
**SCHOOL ACTIVITY FUNDS**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	CASH BALANCES JULY 1, 2014	RECEIPTS	DISBURSEMENTS	CASH BALANCES JUNE 30, 2015	ACCOUNTS RECEIVABLE JUNE 30, 2015	ACCOUNTS PAYABLE JUNE 30, 2015	FUND BALANCES JUNE 30, 2015
Senior Fund	\$ 2,383	\$ -	\$ 2,383	\$ -	\$ -	\$ -	\$ -
Athletics Fund	(6,346)	11,513	11,032	(5,865)	-	-	(5,865)
Scholarship Fund	438	7,599	5,100	2,937	-	-	2,937
NKOA	1,092	4,624	3,985	1,731	-	-	1,731
Incentive	140	1,967	2,037	70	-	-	70
Special Needs	80	-	-	80	-	-	80
Coca-Cola/Recycling	-	333	94	239	-	-	239
FRC	471	1,419	885	1,005	-	-	1,005
Imagination Library	634	-	514	120	-	-	120
Volleyball	-	690	1,190	(500)	-	-	(500)
Girl's Basketball	-	-	170	(170)	-	-	(170)
Boy's Basketball	-	2,609	1,615	994	-	-	994
Girl's Softball	-	493	220	273	-	-	273
Boy's Baseball	-	1,000	227	773	-	-	773
General	1,365	1,495	2,666	194	-	-	194
KEA Grant	-	650	499	151	-	-	151
Born Learning	614	4,000	2,030	2,584	-	-	2,584
Class of 2015	311	5,878	5,988	201	-	-	201
Class of 2016	-	326	-	326	-	576	(250)
Green House	1,172	900	622	1,450	-	-	1,450
Fourth Graders	1	-	-	1	-	-	1
ERV Whitford Fund	-	9,626	8,536	1,090	-	-	1,090
<b>TOTALS</b>	<b>\$ 2,355</b>	<b>\$ 55,122</b>	<b>\$ 49,793</b>	<b>\$ 7,684</b>	<b>\$ -</b>	<b>\$ 576</b>	<b>\$ 7,108</b>

SILVER GROVE INDEPENDENT SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA NUMBER	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education:			
Title I Cluster:			
Title I	84.010	310000214	\$ 93,004
Title I-ARRA	84.388	410030209	1,117
			<u>94,121</u>
Special Education Cluster:			
Idea B	84.027	381000214	73,101
Idea P	84.173	380000214	13,105
			<u>86,206</u>
Title II-A	84.367	323000213	1,460
			<u>1,460</u>
Total U.S. Department of Education			181,787
<u>U.S. Department of Agriculture</u>			
Passed through Kentucky Department of Education/Child Nutrition Cluster:			
Cash Assistance:			
National School Lunch Program	10.555	775000214	11,584
National School Lunch Program	10.555	775000215	40,628
School Breakfast Program	10.553	776000514	4,845
School Breakfast Program	10.553	776000515	15,527
			<u>72,584</u>
Non-cash Assistance:			
National School Lunch Program	10.555	019-0204	9,834
Total U.S. Department of Agriculture/ Child Nutrition Cluster			<u>82,418</u>
Total Federal Financial Assistance			<u>\$ 264,205</u>

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Silver Grove Independent Schools, and is presented on the accrual basis of accounting.

SILVER GROVE INDEPENDENT SCHOOLS  
STATEMENT OF DISTRICT CONTRIBUTIONS  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS  
JUNE 30, 2015

Nonhazardous	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$ 34,365	\$ 56,355	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	(34,365)	(56,355)	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Employee Payroll	\$ 194,483	\$ 298,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	17.67%	18.89%								

SILVER GROVE INDEPENDENT SCHOOLS  
STATEMENT OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
JUNE 30, 2015

District's Proportion of the Net Pension Liability (Asset) - Non Hazardous	.013004%
District's Proportion of the Net Pension Liability (Asset) - Hazardous	0.00%
District's Proportionate Share of the Net Pension Liability (Asset) - Non Hazardous	\$ 421,899
District's Proportionate Share of the Net Pension Liability (Asset) - Hazardous	<u>-</u>
Total District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 421,899</u>
District's Covered Employee Payroll	\$ 298,332
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	141.42%
Plan Fiduciary Net Position as a Percentage Of the Total Pension Liability	66.80%

SILVER GROVE INDEPENDENT SCHOOLS  
INSURANCE IN FORCE  
JUNE 30, 2015

Fire, Extended Coverage, Vandalism,  
and Malicious Mischief:

Replacement Value

	<u>Amounts</u> <u>Building and Contents</u>	<u>Expiration</u> <u>Date</u>
High School, Junior High, Elementary, and Property in the Open	<u>\$13,673,883</u>	07/01/15

Liability on Driver's Training  
Vehicles, School Buses, and Other Vehicles

School Buses		
Combined Single Limit	\$2,000,000	07/01/15
Uninsured Motorist	500,000	07/01/15
Ford Van		
Combined Single Limit	\$2,000,000	07/01/15
Uninsured Motorist	500,000	07/01/15

Worker's Compensation

Kentucky School Boards Insurance Trust	Statutory	07/01/15
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Educators' Legal Liability

Board Members, Superintendent and All Other Employees	\$1,000,000 Each Occurrence \$1,000,000 Aggregate	07/01/15
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General Liability

Comprehensive General Liability

All Employees: \$1,000,000 Each Occurrence \$2,000,000 Aggregate	07/01/15
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Fidelity Bond

Ohio Casualty Insurance Company, Treasurer's Bond from 07/01/14 to  
06/30/15, Ken Ellis, Treasurer

<u>Bonded</u>	\$150,000
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<u>Umbrella</u>	\$5,000,000	07/01/15
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SILVER GROVE INDEPENDENT SCHOOLS  
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL  
JUNE 30, 2015

<u>BOARD MEMBERS</u>	<u>ADDRESS</u>	<u>TERM EXPIRES</u>
Jennifer Steidel-Jones Vice Chairperson	PO Box 47 Silver Grove, Kentucky	December 31, 2016
Erica Fillhardt	PO Box 216 Silver Grove, Kentucky	December 31, 2018
Melanie Pelle Chairperson	5351 Mary Ingles Highway Silver Grove, Kentucky	December 31, 2016
Dan Herald	3523 Providence Trace Melbourne, Kentucky	December 31, 2018
Jason Stewart	309 East Second Street Silver Grove, Kentucky	December 31, 2016

ADMINISTRATIVE PERSONNEL

Ken Ellis, Superintendent and Secretary/Treasurer to the Board.

SILVER GROVE INDEPENDENT SCHOOLS  
GENERAL FUND-ACCOUNTS RECEIVABLE  
JUNE 30, 2015

Accounts receivable as reported  
in the District's annual  
financial report to the State  
Department of Education  
Division of Finance

\$ 4,994

Additional Accounts Receivable  
Recorded Subsequent to the  
Annual Financial Report:

State of Kentucky	\$ 1,868
Campbell County Clerk	<u>23</u>

Total Additions

1,891

Total General Fund - Accounts Receivable

\$ 6,885



SILVER GROVE INDEPENDENT SCHOOLS  
GENERAL FUND-ACCOUNTS PAYABLE  
JUNE 30, 2015

Accounts payable as reported in the  
District's annual financial report  
to the State Department of Education  
Division of Finance

\$ 4,953

Additional Accounts Payable Recorded  
Subsequent to the Annual Financial  
Report

KSBA

(4,946)

Various items

1,829

Total General Fund - Accounts Payable

\$ 1,836

SILVER GROVE INDEPENDENT SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - PRIOR YEAR AUDIT  
FOR THE YEAR ENDED JUNE 30, 2015

There were no findings in the financial statements audit and there were no findings and questioned costs in the federal award programs audit.

# Michael Kadetz

Certified Public Accountant, LLC  
8044 Montgomery Road • Suite 720  
Cincinnati, Ohio 45236-2926  
TEL (513) 794-1900 • FAX (513) 794-8073

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Silver Grove Independent Schools  
Silver Grove, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *Audits of States, Local Governments, and Non-Profit Organizations*; the state compliance requirements prescribed by the Kentucky State Committee for School District Audits, *Appendix I of the Independent Auditor's Contract - Audit Extension Request*, *Appendix II of the Independent Auditor's Contract - Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of The Silver Grove Independent Schools, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise The Silver Grove Independent Schools' basic financial statements, and have issued my report thereon dated September 30, 2015. The report on the activity funds was qualified because it was not practical to satisfy myself with respect to such revenues beyond the amounts recorded as received.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered The Silver Grove Independent Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Silver Grove Independent Schools' internal control. Accordingly, I do not express an opinion on the effectiveness of The Silver Grove Independent Schools' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Silver Grove Independent Schools' financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of state compliance requirements identified in the *Independent Auditor's Contract*.

During my audit, I became aware of immaterial instances of noncompliance and other matters that are opportunities for strengthening internal controls and operating efficiency. These items have been communicated to the Board of Education in a management letter.

#### **Purpose of This Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cincinnati, Ohio  
September 30, 2015



# Michael Kadetz

Certified Public Accountant, LLC  
8044 Montgomery Road • Suite 720  
Cincinnati, Ohio 45236-2926  
TEL (513) 794-1900 • FAX (513) 794-8073

Members of the Board of Education  
Silver Grove Independent Schools  
Silver Grove, Kentucky

In planning and performing my audit of the basic financial statements of the Silver Grove Independent Schools as of and for the year ended June 30, 2015, I considered the district's internal control over financial reporting and compliance as a basis for designing my auditing procedures for the purpose of expressing an opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the Silver Grove Independent Schools' internal control over financial reporting and compliance.

However, during my audit, I became aware of immaterial instances of noncompliance and other matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated September 30, 2015, on the basic financial statements of the Silver Grove Independent Schools.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with various district personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



Cincinnati, Ohio  
September 30, 2015

SILVER GROVE INDEPENDENT SCHOOLS  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2015

- I. **STATEMENT OF DEFICIENCY:** The District's Food Service Program has experienced losses for several years in a row. The fund is in danger of going into a negative net position.

**Criteria:** The School Food Service is a proprietary fund and as such should be self-supporting.

**Effect:** The School Food Service program risks going into a negative net position.

**Recommendation:** The District should review all the factors involved including food costs, menu changes and decrease in student participation in order to determine the proper course of action.

**Management's response:** Management will review the operation of the School Food Service. It will monitor its progress through the year, make any adjustments it considers appropriate to ensure it does not enter into a negative net position.

- II. **STATEMENT OF DEFICIENCY:** It was noted that several individual school activity fund accounts ended the year with deficit balances.

**Criteria:** Per the Redbook requirements, individual school activity fund accounts shall not end the fiscal year with a negative (deficit) balance.

**Effect:** The activity fund is not in compliance with Redbook requirements.

**Recommendation:** More care should be taken to ensure that no accounts end the year with a negative balance and that additional training be provided where needed.

**Management's response:** The District will review the proper accounting procedures as issued by the state. This will help ensure that no individual school activity fund accounts end the school year with a deficit balance.

- III. **STATEMENT OF DEFICIENCY:** The District only records additions of capital items at year end.

**Criteria:** The recording of capital assets should occur within a timely manner after the purchase is made.

**Effect:** The District risks not recording all capital items if they are not timely identified and recorded.

**Recommendation:** The recording of capital assets should be made at least quarterly to ensure that all such items are properly identified

**Management's response:** Management will revise its procedures based on the recommendation.

SILVER GROVE INDEPENDENT SCHOOLS  
MANAGEMENT LETTER POINTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

**Prior Year Recommendations:**

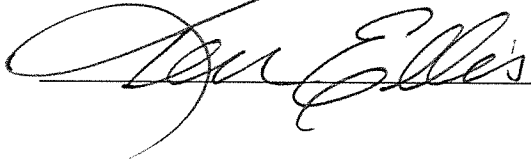
I reviewed all recommendations made to the Board on the management letter that accompanied the previous audit report. All recommendations have been implemented and corrected. I sincerely commend the District on their efforts.

STATEMENT OF CERTIFICATION

Kentucky Committee for School District Audits  
Frankfort, Kentucky

The Silver Grove Independent Schools certifies that all adjustments have been entered into MUNIS and that an Annual Financial Report and Balance Sheet, which are in agreement with the audit report, will be transferred to KDE in conjunction with the audit report.

SUBMITTED, 11/13, 2015

 Superintendent